

Expenditure Transfer Form

Department:	SCHOOLS				
TRANSFER TO:					
Account #				Description	Amount
Org.	Object	Project	DESE Function		
12010025	511000			M & L Revolving	\$ 567,881.00
				TOTAL	\$ 567,881.00
TRANSFER FROM:					
Account #				Description	Amount
Org.	Object	Project	DESE Function		
99047103	512960			LHS Custodian	\$ 474,241.00
99347103	512960			Admin Bldg Custodian	\$ 3,640.00
98347103	512960			Bartlett Custodian	\$ 5,264.00
90247103	512960			Bailey Custodian	\$ 5,758.00
91247103	512960			McAvinnue Custodian	\$ 6,192.00
91847103	512960			Pyne Arts Custodian	\$ 8,316.00
92047103	512960			Lincoln Custodian	\$ 5,666.00
92547103	512960			Molloy Custodian	\$ 11,143.00
93047103	512960			Morey Custodian	\$ 6,550.00
93547103	512960			LeBlanc Custodian	\$ 1,271.00
93647103	512960			Pawtucket Custodian	\$ 4,463.00
94047103	512960			Reilly Custodian	\$ 7,691.00
95047103	512960			Shaughnessy Custodian	\$ 7,296.00
95547103	512960			Washington Custodian	\$ 2,844.00
96047103	512960			Stoklosa Custodian	\$ 6,449.00
98047103	512960			Murkland Custodian	\$ 4,442.00
98447103	512960			Butler Custodian	\$ 6,484.00
98547103	512960			Daley Custodian	\$ 171.00
				TOTAL	\$ 567,881.00

Reason for Transfer:

Shifting a portion of custodial staff salaries to the Milk and Lunch Revolving fund per the approved budget offset - keeping with in the DESE approved indirect cost rate of 11.23%.



Department Signature

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Prepared by

4/4/2019

Date

FY19 Indirect Cost Rates

3-year average of predetermined rates with caps

LEA	District	Restricted	Unrestricted	Medicaid
				Unrestricted
0160	Lowell	3.68%	11.23%	10.92%

Determining Direct and Indirect Costs

As will be explained in *Determining Allowable Costs & OMB 2 CFR 200*, 2 CFR 200 Subpart E and Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals apply to all situations where State and local governments incur costs for Federal assistance programs. SEAs and SFAs must make careful considerations in determining whether certain types of costs should be categorized as a direct or indirect cost.

Direct Costs

2 CFR 200.413 describes direct costs as, “those that can be identified specifically with a particular final cost objective.” Many SFAs struggle with this description, especially when it comes to understanding the words “identified specifically.” A good way of understanding “identified specifically” is for the SFA to ask the following question: **Who benefitted from the SFA having incurred the cost (i.e., just school food service)?** Granted, the SMP regulations do not prescribe in detail every kind of cost that can be charged to the school food service. However, the SMP regulations do outline the purpose of each program, requirements that must be met and, in some cases, prescribes certain aspects of that program’s operations. The SMP objectives can be understood by reading and understanding authorizing statutes, program regulations, and FNS policy. **Moreover, costs that cannot be exclusively attributable to the SMPs should generally be treated as indirect costs.**



Direct costs are those that:

- Are exclusively attributable to the nonprofit school food service, and;
- Can be substantiated through written documentation such as time cards, invoices, receipts, etc.

2 CFR 200.420-.475 provides examples of many typical direct costs chargeable to the NSFSA:

Compensation of employees for the time devoted and identified to the school food service

School food service employees whose job function is entirely to meet the objectives of the SMPs (e.g., kitchen cooks, the school food service director, dietitians, cashiers, servers)

- An SFA should ask the following questions to determine whether such a cost is exclusively attributable to the school food service:
 - What are the job functions of an employee? Does he/she work exclusively in the school food service?

- Does the employee also perform work not related to the school food service?
Does the SFA have a process for documenting the distribution of that employee's time among cost objectives?
- Does a cashier working to ring up foods in the cafeteria also sell books at the bookstore? If so, does the SFA have a process for documenting the distribution of that employee's time between the cafeteria and the bookstore?

Cost of materials, acquired, consumed, or expended specifically to the performance of the school food service

- An SFA should ask the following questions to determine whether such a cost is exclusively attributable to the school food service:
 - Will the item be used only for the school food service?
 - Is this an item that is generally purchased for use in school food service?
 - Can the SFA operate the school food service without purchasing this item?
 - For example, the cost of food items used to prepare nutritious meals for the SMPs is exclusively attributable to school food service.

Equipment and other approved capital expenditures

- For example, a point of service (POS) system or software is used to record, track, and report on food/meal purchase transactions by many schools. The capital expenditures for a POS system may be allowed as a direct charge with prior State agency approval.

Travel expense incurred specifically to carry out the objectives of the SMPs

- For example, a school food service director may need to travel for a national conference on child nutrition in the SMPs. This cost could be charged as an allowable direct expense with prior State agency approval. (2 CFR 200.432 and .474)

Food for the school meals

- For example, the cost of food items that have been procured in accordance with the Federal regulations for the SMPs can be charged as a direct cost.

Indirect Costs

2 CFR 200.56 describes indirect costs as those “incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.” **Costs that can be allocated to multiple programs or other cost objectives are always classified as indirect costs.** Indirect costs are necessary to operate the school food service, even though a direct relationship to that activity cannot be shown.

In determining whether a cost should be charged as direct or indirect, the SFA is required to treat each item of cost in a **consistent manner** as a direct or indirect cost in accordance with the Federal cost principles. A cost may be assigned to the nonprofit school food service as a direct cost only if that cost item under the same circumstances has not been charged to other programs or cost objectives as an indirect cost (2 CFR 200.412). For example, it is appropriate for a SFA that has relocated its school food service and several other of its activities from the main school building to an annex, to charge rent on the annex to the NSFSA only if the other activities relocated there are similarly charged.

Summary of Determining Direct and Indirect Costs

Questions to contemplate in determining whether a cost is direct or indirect include:

- Does the cost benefit multiple programs or other cost objectives, or solely the school food service?
- Does the cost have a direct relationship to the school food service?
- What guidance do the Federal cost principles provide for this cost?
- How are similar costs treated in other cost objectives of the SFA?
- How has this cost been treated historically by the SFA?

Examples of Various Costs

Guidance on various costs is provided to assist in determining whether a cost is properly classified as direct or indirect.

Custodial expenses

Custodial expenses generally include the costs of cleaning the entire school. The food service benefits from custodial services because the kitchen, food preparation, and food serving areas are also cleaned. However, the question arises of whether the custodial expense can be charged as a direct or indirect expense. As we stated earlier, for the custodial expense to be a direct cost, the cost must be identified specifically with a particular cost objective.

How would an SFA charge custodial expenses directly? Some SFAs document the hours that custodians work cleaning food service areas such as the kitchen, food preparation, and food serving areas through a time reporting system, such as that described in 2 CFR 200.430. The time reporting system provides the exact hours a custodian cleans the food service area and the rest of the school. The SFA then charges the custodial expenses for cleaning the school food service area as a direct expense.

Alternatively, the custodial expenses may be charged as an indirect cost to the school food service by including them in the indirect cost pool if a methodology or process for determining this item's direct relation to the school food service operations is not available. The key point to note is that the custodial expense may be charged as a direct or indirect cost, as long as it is treated consistently in all activities of the SFA. For example, this cost item may not be charged

as a direct cost to the NSFSA if custodial expenses that benefited other programs, functions, and activities of the SFA were charged to such cost objectives as indirect costs. The reasoning is that it would not be equitable for the custodial expenses to be charged through a time reporting system solely for the school food service and not similarly for other programs.



Custodial expenses may be charged as a direct or indirect cost, as long as it is treated consistently in all activities of the SFA. An SFA may not charge custodial expenses as a direct cost to the school food service (e.g., through a time reporting system) and as an indirect cost for other programs.

Utility Expenses

The SFA in general and school food service in particular, need utilities such as electricity and gas to operate. While utility costs are often treated as indirect costs, they may be charged as a direct cost if there is a methodology to quantify exactly how much energy was utilized to prepare and serve meals. For example, the use of a separate utility meter for school food service would provide such quantification. The main point to note is that charges like utilities can be allocated directly or indirectly, depending on whether a methodology exists to specifically identify the amount of utilities attributable to the school food service.

Post Retirement Health-Care Benefits

The indirect cost methodology applied to an SFA may call for allocating the cost of providing health-care benefits for retired SFA employees on the basis of numbers of employees. That is, this cost item may be allocated to a direct cost activity, such as the school food service, on the basis of its percentage of the SFA's total employees, or by applying a per-employee rate. However, if the school food service workforce is atypical of the SFA's workforce generally, this may not be an appropriate approach. Applying this methodology may actually overcharge the school food service if part-time employees, who are not eligible for post-retirement health-care benefits, comprise a disproportionate share of the school food service staff. The amount charged to the school food service for post-employment healthcare costs would then be unreasonable based on the benefit the school food service received from this cost item. Possible remedies include:

- 1) Changing the allocation basis for this cost item from "number of employees" to "number of full-time employees."
- 2) Shifting the SFA's overall indirect cost methodology to the multiple allocation base method. This method is preferred when different direct cost activities benefit to significantly differing degrees from the same indirect cost activity (human resources,

accounting, purchasing, payroll, audit, etc.). The SFA would first distribute the cost of each such administrative function or office to benefiting direct cost activities on a basis that fairly measures the benefit each direct cost activity received. For example, the cost of the purchasing function could be distributed on the basis of numbers of purchase orders issued. The total indirect costs allocated thereby to each direct cost activity are then totaled and a separate indirect cost rate calculated for each direct cost activity. The outcome would be one indirect cost rate for food service, another for instruction, etc. Indirect cost rate determination is covered in 2 CFR 200 and Appendices III and IV thereto; and in DHHS Publication ASMB C-10, section 6.2.4 (pages 6-8 through 6-12). https://www.dol.gov/oasam/boc/asmb_c-10.pdf.